



The Level of Capitalization of Commercial Banks and Ways of Improving

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Abstract: Increasing the level of capitalization and strengthening the financial stability of commercial banks is a necessary condition for ensuring the stability of the country's banking system. As we know, the capital of commercial banks is formed at the expense of bank shareholders' funds and other sources. This article describes the importance of commercial banks in the banking system of the country and the level of capitalization of the commercial banks.

Keywords: capitalization, stock markets, financial stability, commercial banks, bank resources, increase capital, circulation.

INTRODUCTION

Banks play a special role, since they are leading financial intermediaries which ensure the transfer of financial resources between individual regions, sectors and economic entities in order to meet their needs and demands. This process requires commercial banks to increase volumes, optimize the structure and improve the organization of the resource base. Sufficient volume and balanced resource base of banks is an important prerequisite for their profitability, sufficient liquidity and the market participants confidence. Strengthening the resource base contributes to increasing the bank's ability to meet the current and investment needs of economic entities for additional financial resources. At the same time, currently the problems of the formation and use of bank resources have become noticeable. Necessity to speed up production and limited stock markets have resulted in too high demand for bank loans, which in turn requires rapid build-up of bank resources. The formation of long-term resources, the demand for which is growing most dynamically among enterprises and the population, is especially acute.

The functioning of the national economy on a market basis is inextricably linked with the efficient operation of the bank system. In conditions of profound changes in the national economic model, the issue of capital adequacy in domestic banks becomes relevant to fulfill the basic functions of providing the country with financial resources.

At the current stage of the bank system development under economic instability, the issue of increasing the competitiveness of banks compared with foreign banks is acute, with the preservation of national priorities of the banking system as a whole in the context of foreign capital movement. It is necessary to provide a management system that would, on the one hand, ensure the domestic banks stability, and, on the other hand, their efficiency and dynamic growth due to the intensive increase of the share of foreign capital in banks of the country. An important step towards the development of the

domestic banking market should be the promoting of the opening of branches of foreign banks in certain cities and special economic zones, which, on the one hand, will promote the development of the banking services market in all regions, and on the other hand, will allow domestic banks to compete and cooperate with foreign partners. It is necessary to establish a general quota of foreign capital in the structure of the authorized capital of the country's banking system, and set limits on the active and foreign exchange operations of banks with foreign capital.

In the context of the growing financial crisis, one of the main problems faced by the domestic banking system is to maintain its stability and reliability, which allows banks to perform their functions in providing economics with sufficient financial resources. Changing the market situation not only jeopardizes the profitability of banks, but also their functioning in general. The main reason for banks activities is their inability to neutralize existing risks in the banking sector and to be responsible for their obligations due to lack of resource base in financial and credit institutions. There is a problem related to the formation of long-term resources, the demand for which is growing most dynamically among enterprises and the population. It should be noted that the National Banks of countries take measures to provide banks with a sufficient level of bank capital through the establishment of specific standards. However, questions arise about the methodological principles for assessing the bank's capital in terms of taking into account the risks inherent in banking activities, definition and application of effective methods to increase capital. The complexity and multiplicity of the capital category affects the interpretation of the essence of bank capital.

In the Action Strategy for the further development of the Republic of Uzbekistan, the issue of increasing the level of capitalization and deposit base of banks, strengthening their financial stability and reliability is defined as one of the priority tasks . In order to fulfill these tasks in a timely and efficient manner, by the Decree of the President of Uzbekistan dated May 12, 2020 No. the minimum amount of capital is set .

At the same time, there are a number of issues that need to be solved in order to increase the level of capitalization of the commercial banks of our republic. In particular, the level of capitalization of commercial banks is slow, the allocation of large amounts of funds from the state budget in recent years, the inactivity of commercial banks as issuers and investors in the stock market, their inability to provide sufficiently high-quality services to their customers, the weakness of the resource base, the bank the share of capital in GDP is low and there are other similar problems.

The activity of commercial banks cannot be imagined without investment, that is, without sufficient capitalization. Therefore, the capital of commercial banks initially serves as an important financial resource in the process of opening banks, and later in the implementation of the economic regulations of the Central Bank and as a "protector" in covering unexpected losses in banking activities.

Increasing the level of capitalization and strengthening the financial stability of commercial banks is a necessary condition for ensuring the stability of the country's banking system . As we know, the capital of commercial banks is formed at the expense of bank shareholders' funds and other sources.

As we know, one of the main ways to increase the level of capitalization of commercial banks is to increase the authorized capital of the bank. In the following years, special attention is being paid to increase the authorized capital of commercial banks in our republic. As a result, banks are making a significant share of their authorized capital.

Currently, the issuance of long-term debt obligations of commercial banks is one of the modern instruments for increasing their capitalization level and achieving stability. In this case, it is necessary to make full use of the possibilities of increasing the additional capital base of commercial banks. The additional capital base of commercial banks of our country is relatively weak, and there are a number of opportunities to increase its stability. In particular, subordinated securities can be put into circulation.

At the same time, the year-by-year increase in the country's GDP leads to an increase in the volume of credit deposits of commercial banks, which, in turn, requires an increase in their capitalization level. As a result, stability of bank capital can be achieved.

In the context of financial and economic instability, one of the main problems facing the domestic banking system is to maintain its stability and reliability, which enables banks to perform their functions in providing the economy with sufficient financial resources.

With regard to increasing the level of bank capitalization as the basis of the reliability and competitiveness in the domestic and international markets, the following measures should be taken:

- to attract new shareholders, including foreign investors, in order to increase their capital according to the established requirements and taking into account the development of their affiliate network;
- to improve the assets quality by reducing the proportion of non-working, problem assets in order to reduce deductions in reserves;
- to form reserves for active operations to the required degree;
- to maintain the bank's own capital at a level sufficient to protect against risks associated with bank operations;
- to more intensively apply bank reorganization procedures by joining and merging small and financially unstable banks, as well as restructuring large banks by closing (selling) their unprofitable branches, etc.;
- to stimulate the creation of banking associations of all types (corporations, bank holding groups, financial holding groups) in order to concentrate capital of banks, increase their overall liquidity and solvency, and ensure coordination and oversight of their activities.

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